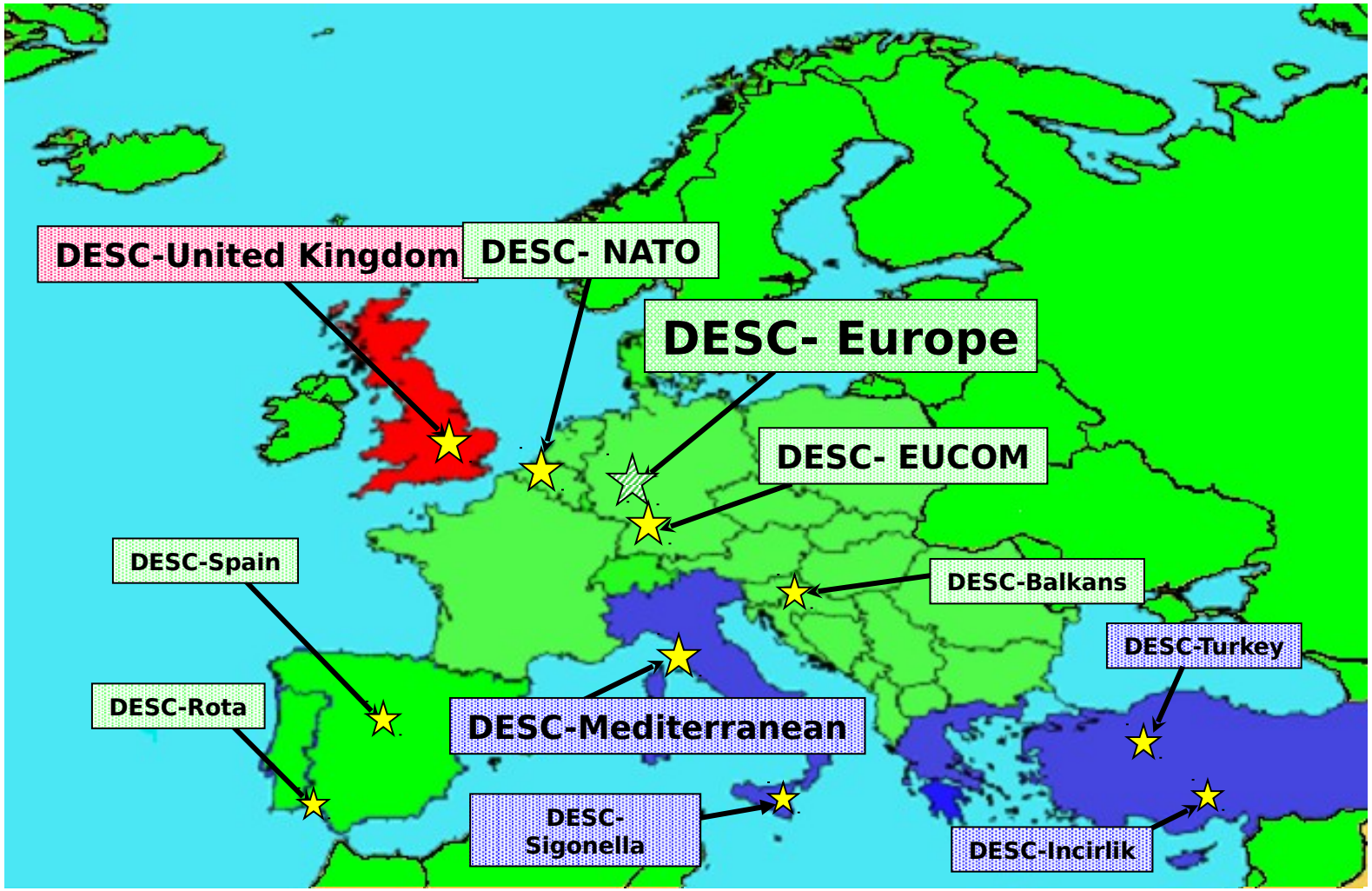
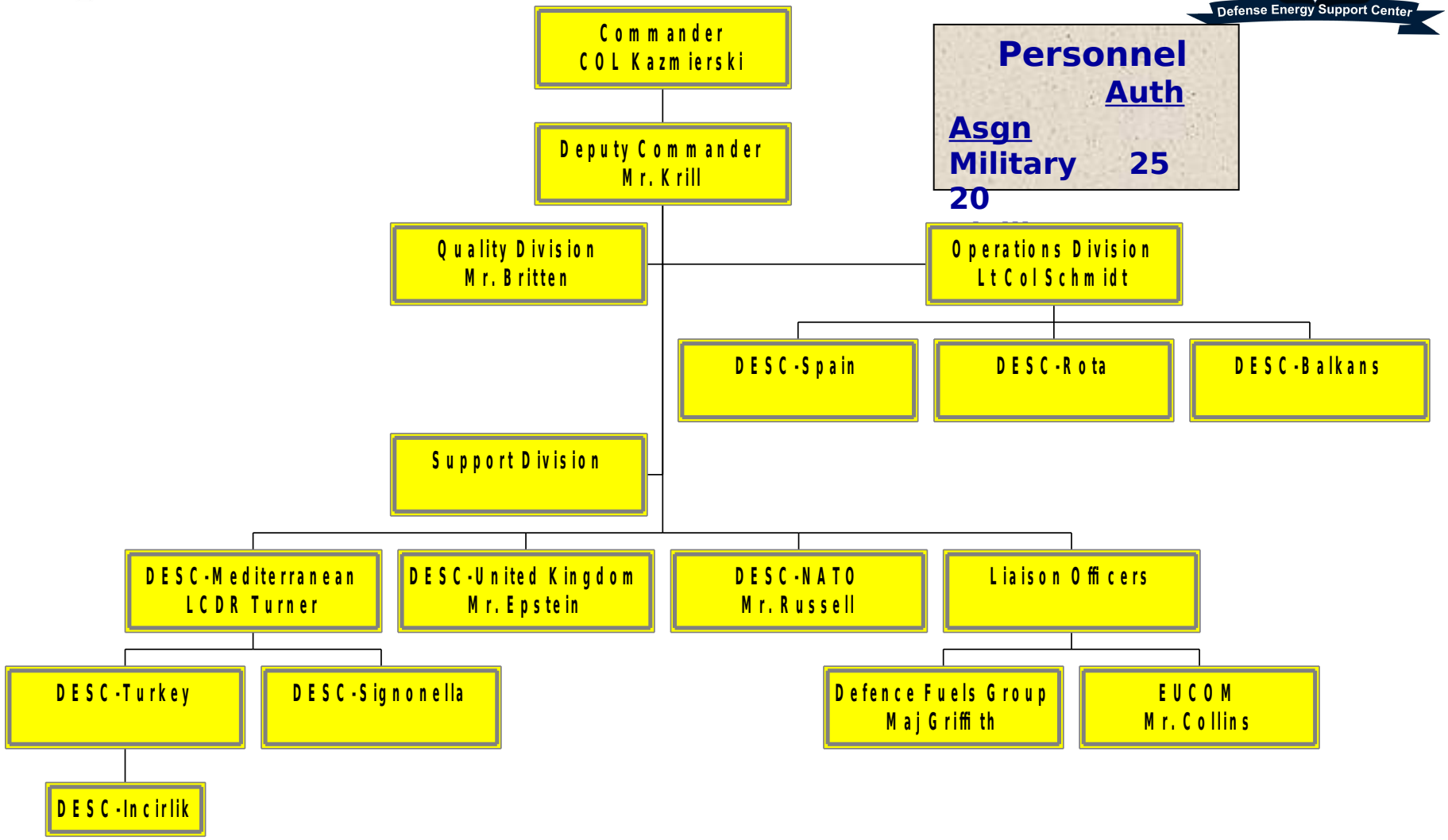
DESC-Europe

EUCOM POLCON
13 April, 2004

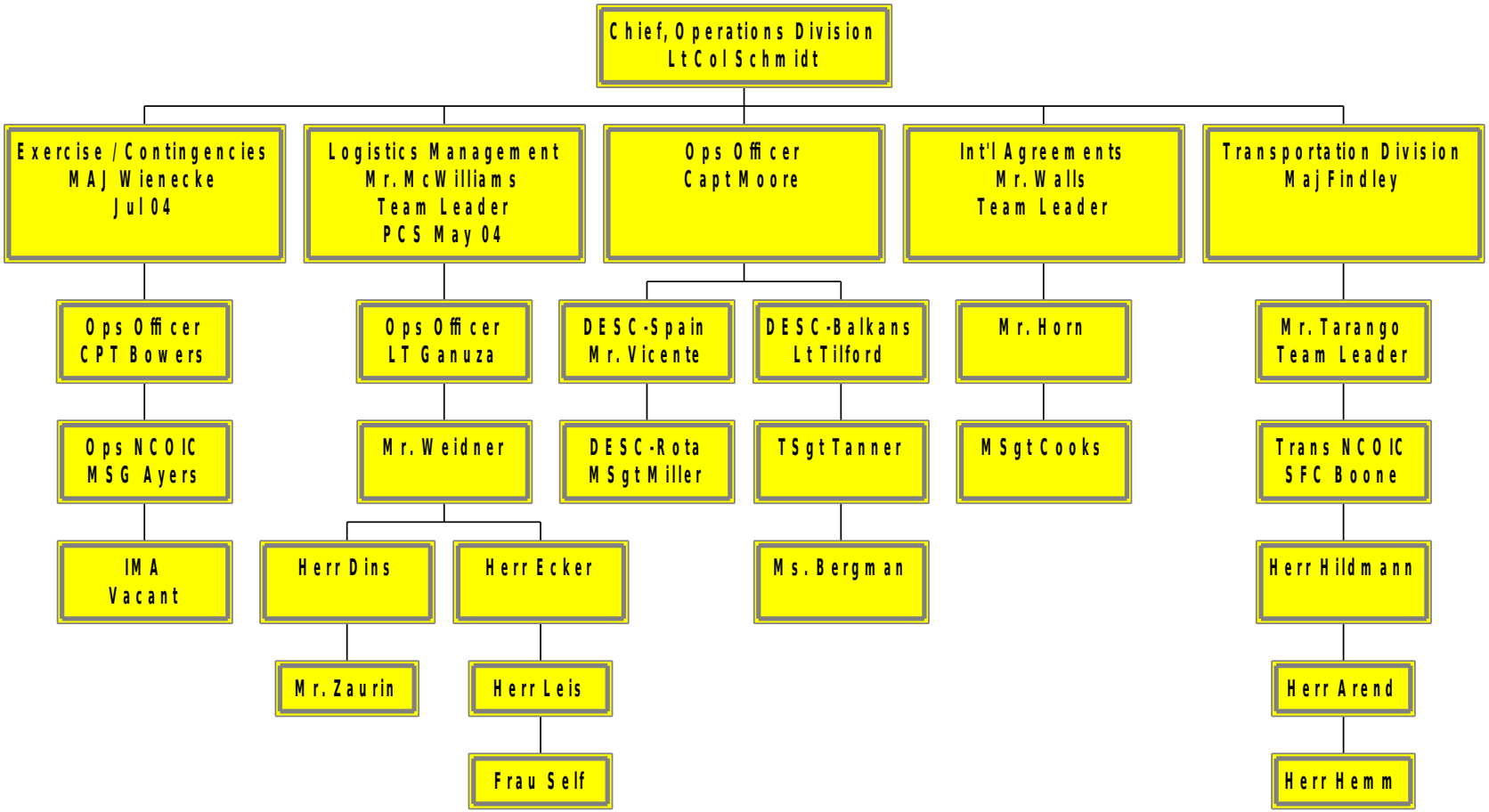
DESC-Europe Field Offices



DESC-Europe Organization



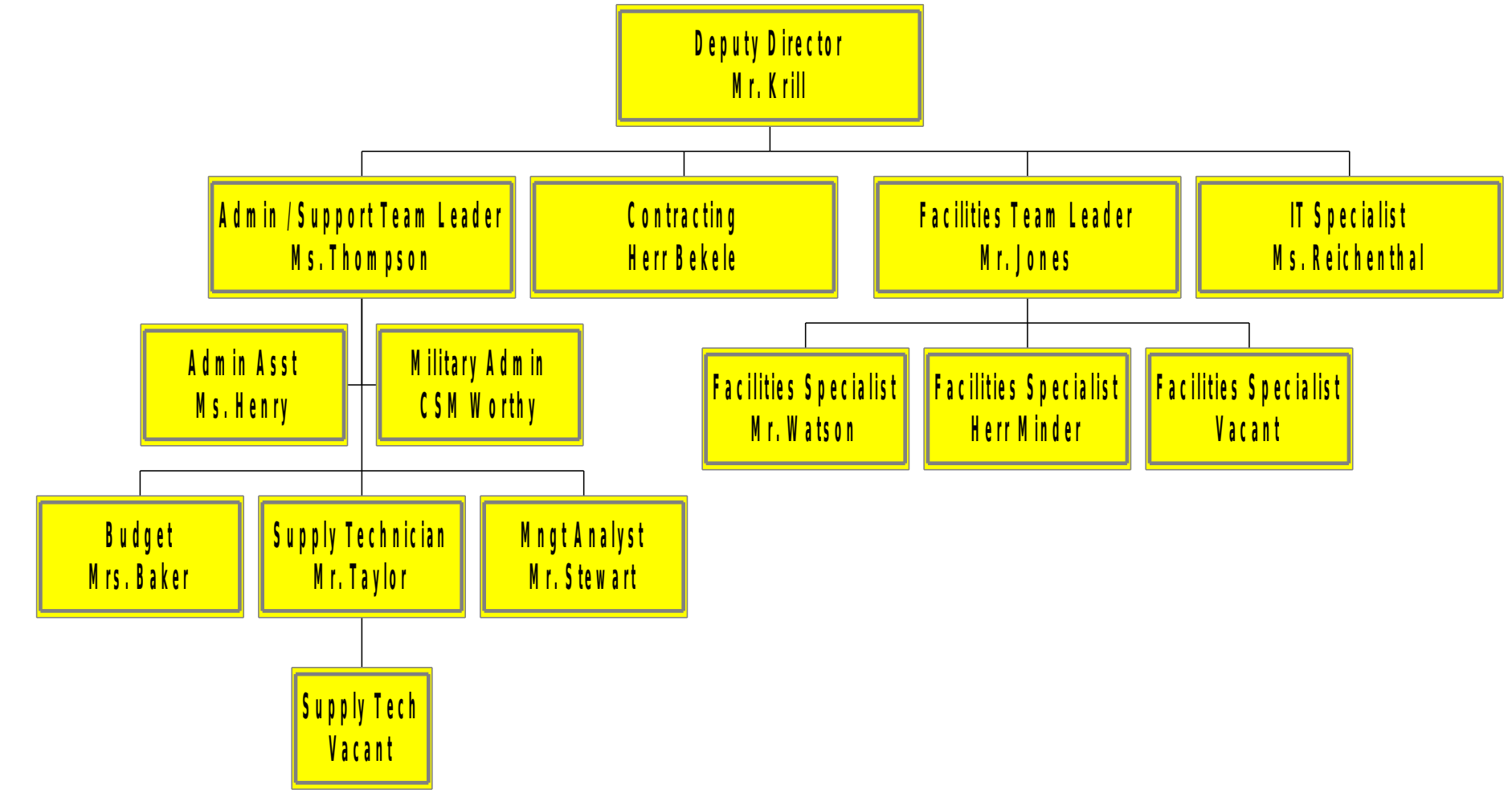
DESC-Europe Operations Division



Operational Responsibilities

- Tanker Slating
- Inventory / Supply Management
- Contingencies & Exercises
- International Agreements
- Transportation

DESC-Europe Support Division



Contracting

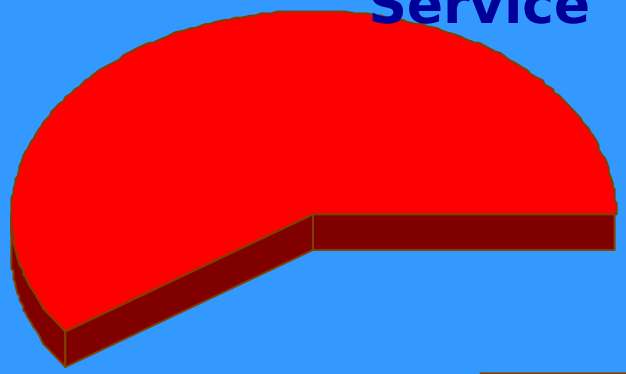
- Advises on all fuel procurement and logistics matters
- In possession of $100K contingency warrant
- Coordinates all contracting requirements within EUCOM AOR with HQ DESC contracting
- Key interface with HQ DESC on Posts, Camps and Stations, into-plane and bulk fuel programs
- COR for African Fuel Initiative sites

Facilities

- **Provides guidance and assistance to the military services within AOR**
  - **Foreign government and NATO pipeline terminals and facilities operation**
  - **Provides military services with technical guidance that supports and enhances operations and safety**
  - **Serves as the focal point for environment pollution abatement programs, MR&E and minor construction projects**

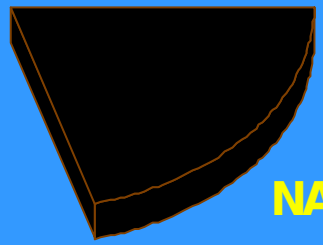
MR&E Program

Active Projects - by Service



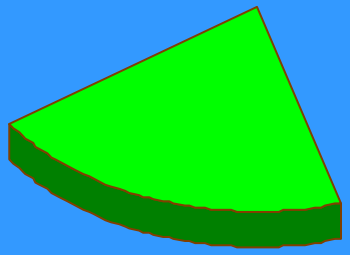
AIR FORCE

15 sites
217 Projects
$71.8 Million



5 sites
103 Projects
$24.8 Million

NAVY



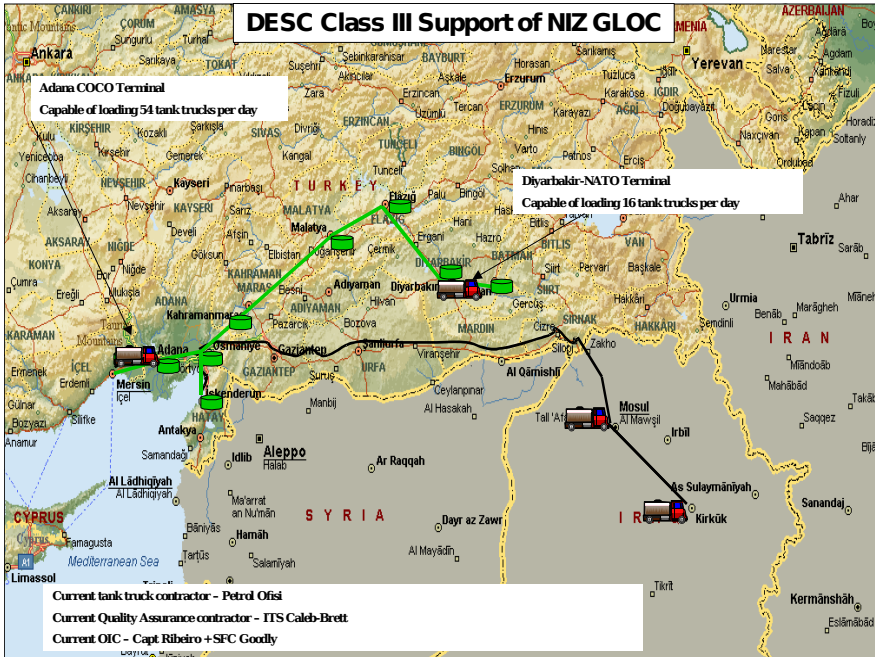
69 sites
95 Projects
$23.5 Million

ARMY

USEUCOM TOTAL 415 projects
$120.1M

NIZ JP-8 Turkey-Iraq GLOC

- **Continue to pursue "pull" versus "push" supply system**
  - **Scaled back ops to Adana COCO in Jul 03**
  - **DESC-Incirlik provides surveillance of Petrol Ofisi & Caleb-Brett; Subcontractor Caleb-Brett provides fuel quality surveillance**
  - **Top issues:**
    - **Force Protection escorts**
    - **Habur Gate bottlenecks**
    - **Tank truck turn times w/in Iraq**
    - **Theft**
    - **Tank truck quality**
  - **Since Apr 03**
    - **48+ M USG**
    - **8000+ tank truck loads**
    - **$1.19 per USG (Petro Ofisi contract)**



Gulf Region Division-RIO Mission

- **On 24 Dec 03, USD (AT&L) directed DLA through**

  DESC to assume the GRD-RIO mission:

- **Mission Statement:**

  …provide the necessary expertise and support to Gulf Region Division-Restore Iraqi Oil mission for the importation and distribution to specified fuel depots of identified petroleum products in support of the Iraqi civilian populace.

GRD-RIO-Turkey

Initial Steps to Assume Mission

- **Starting on 4 Jan 04, DESC-Europe conducted thorough surveys, including…**
  - **Intensive discussions with KBR-Turkey**
  - **Face-to-face negotiations with offerors**
  - **Pre-award surveys of offerors' storage facilities**
  - **Technical evaluation of petroleum companies and Management & Oversight contract offerors**
  - **DCAA financial audits of offerors**
  - **Establishment of new GRD-RIO-Turkey office on Incirlik AB**

GRD-RIO-Turkey Scope of Mission

- **Apr 04 quantity order placed with bulk fuel suppliers:**
  - **MOGAS 39.6 million USG**
  - **DF2 32.5 million USG**
  - **LPG 36,000 metric tons**
  - **Will require ~12,450 tank truck / LPG loads for April**
- **Daily requirement breakdown**
  - **MOGAS 1.32 million USG per day**
  - **DF2 1.08 million USG per day**
  - **LPG 1,200 metric tons per day**
  - **Will require ~415 tank truck / LPG loads per day**
- **7 Apr increases:**
  - **DF2 475,000K USG per day & MOGAS 200,000 USG per day**

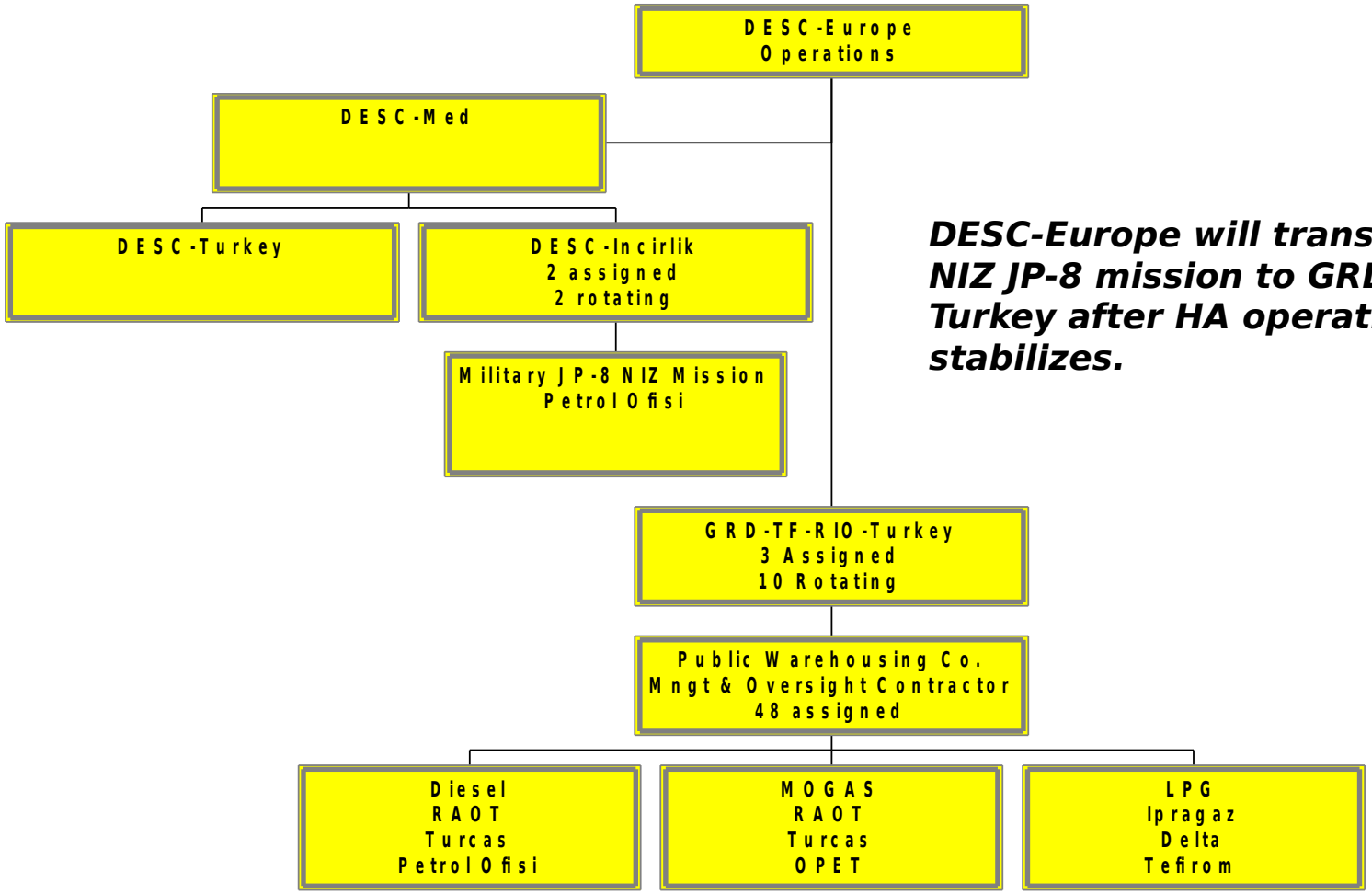
DESC Fuel Import Mission – Turkey

Northern Award Pattern

Contractor	Product	Total Requirement (USG)(LPG-MT)	% of Receipt of Award	Award Price (Including M&O)	Total DESC Cost
Refinery Associates of Texas (RAOT)	**Diesel**	**38,040,766**	**40%**	**$1.2308**	**$46,819,590**
TURCAS	**Diesel**	**28,530,575**	**30%**	**$1.2441**	**$35,494,149**
PETROL OFISI	**Diesel**	**28,530,575**	**30%**	**$1.2447**	**$35,511,267**
TOTAL DIESEL (USG)		95,101,916	100%	$1.2389	$117,825,006
Refinery Associates of Texas (RAOT)	**Benzene**	**53,494,828**	**45%**	**$1.1615**	**$62,132,857**
TURCAS	**Benzene**	**20,209,157**	**17%**	**$1.1873**	**$23,993,809**
OPET	**Benzene**	**45,173,410**	**38%**	**$1.2246**	**$55,318,188**
TOTAL BENZENE (USG)		118,877,395	100%	$1.1898	$141,444,854
IPRAGAZ	**LPG**	**37,806**	**35%**	**$460.7285**	**$17,418,279**
DELTA PETROLEUM	**LPG**	**37,806**	**35%**	**$484.9085**	**$18,332,427**
TEFIROM CONSTRUCTION ENERGY	**LPG**	**32,405**	**30%**	**$492.2285**	**$15,950,714**
TOTAL LPG (MT)		108,017	100%	$478.6415	$51,701,419

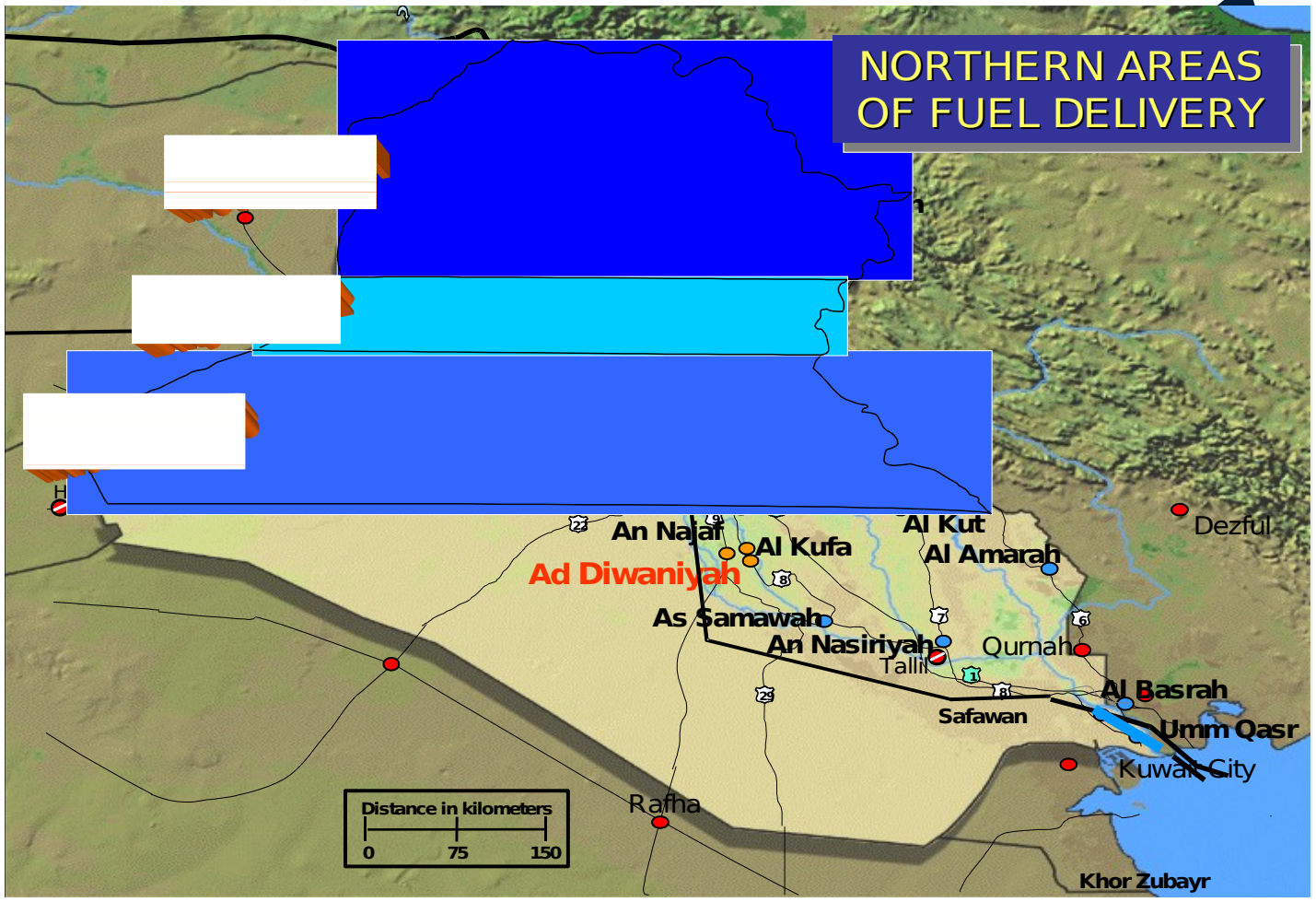
- **Total contract = $310+ million; Saved ~12% over previous contracts; estimated net savings first 3 months = $37+ million**

GRD-RIO-Turkey Organization



DESC-Europe will transition NIZ JP-8 mission to GRD-RIO-Turkey after HA operations stabilizes.

GRD-RIO-Turkey Areas of Delivery



- **This scheme collapsed as early as 6 Apr due to lack of Force Protection escort system**

GRD-RIO-Turkey Friction Points

- Continue to improve Habur Gate efficiency
- The major chokepoint
  - Cut down on arbitrary fees and fines
  - Advocate increased manning of customs
  - Advocate increased efficiency
- Maintain segregated lane
  and customs for LPG
  - Limited # of LPG tank truck
  - LPG extremely volatile
  - Especially important as sum
    approaches

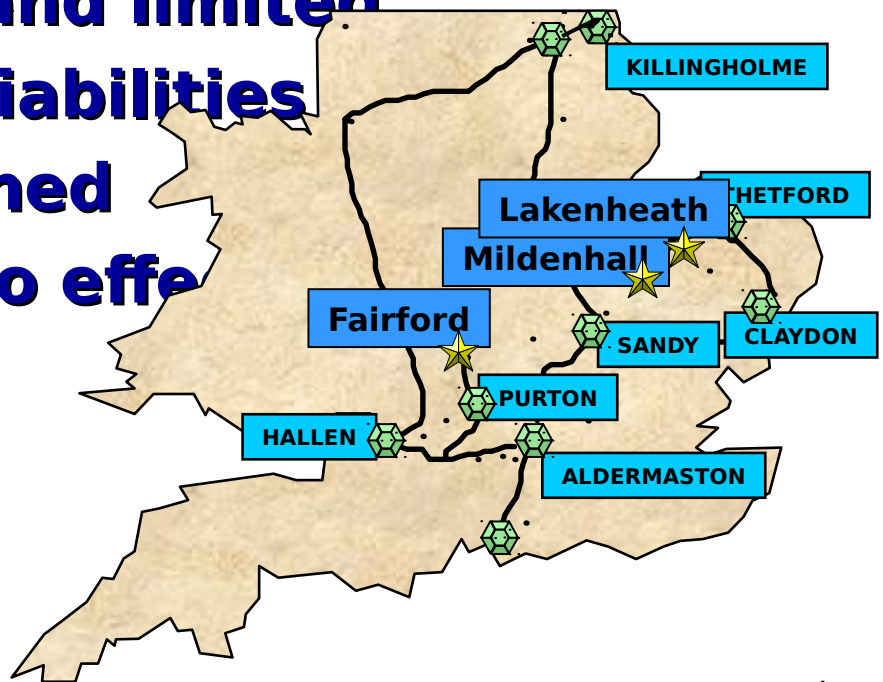
GRD-RIO-Turkey Friction Points

- Advocate opening of second border crossing
- Viability of convoy Force Protection escort system
- Deliveries to Area 3 will be the flashpoint; especially retrograde
- Contract security
- Theft and pilferage
- Changing requirements
- Download point inadequacies

New GPSS Agreement

- **Terminated old agreement and renegotiated new GPSS agreement**
  - **Moved from cost-share to fixed-cost banking system**
  - **Optimized support and limited DESC exposure to liabilities**
  - **New agreement signed 18 Mar 04; went into effe 1 Apr 04**

Government Pipelines & Storages System (GPSS)



Balkans Support

SFOR (Bosnia & Herzegovina) Support

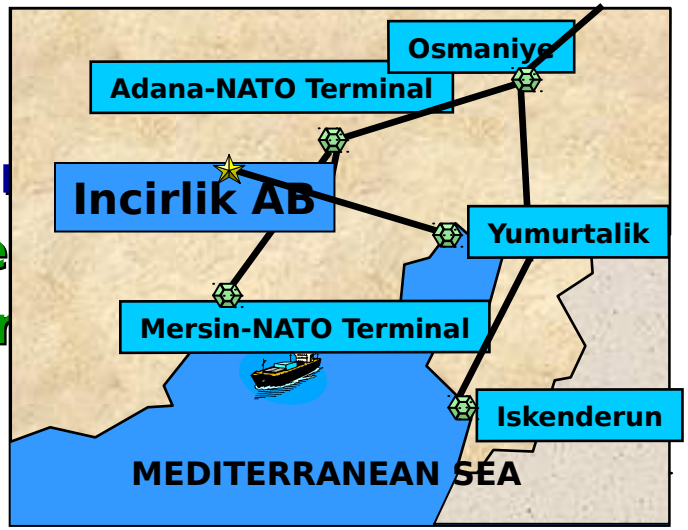
- NATO designated U.S. as RSN (Role Specialist Nation) for fuel
- DESC supports requirements wi[illegible] & Stations contracts
  - Major suppliers = OMV, MOL, & ExxonMobil
  - Current 2-year contract thru 30 Jun 04
- DESC-Europe supports three FMS customers (Canada, Netherlands & Turke[illegible]
- Evaluating mission changes
- EUCOM JPO addressing RSN designation in relation to mission changes

Engineering Priorities
Lajes AB

- Lajes breakwater protects the island's single fuel pier
- Emergency repair completed Dec 02…DESC $1.689M, USAF $5.742M
- USAFE requested DLA/DESC cost-share (50%) funding for follow-on permanent repairs estimated at $50M
- DLA agreed to fund $7.4 M of the total project

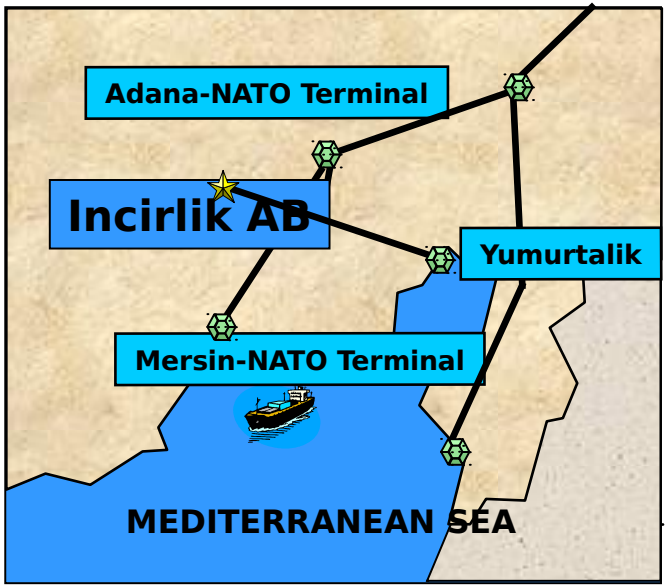
Engineering Priorities
Incirlik AB

- **Adana-NATO terminal bypass line ON HOLD**
  - **Pump simultaneously to Incirlik and points east**
- **Incirlik AB Receipt filter station upgrade ON HOLD**
  - **Increased receipt rate to 1.7M USG/day (semi-permanent mod)**
    - **Successfully tested Nov 02**
- **Mersin harbor dredging**
  - **Enables fully loaded T-5 tanke**
    dock – restarted Oct 03; close
    to commencing actual dredgi



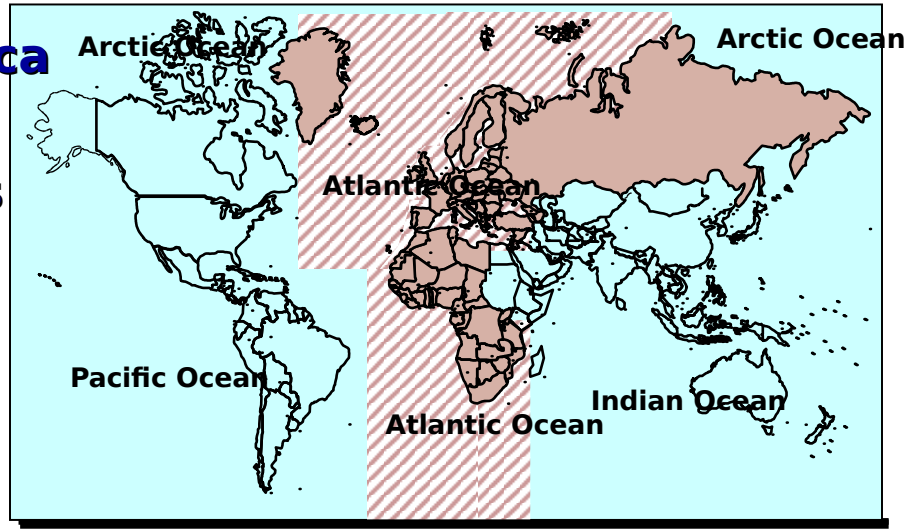
Incirlik Air Base

- **Future of Incirlik Air Base?**
  - **Will remain – but smaller**
    - **Regained Wing status in 2004**
- **4 KC-135s deployed to Incirlik**
  - **More airframes expected periodically to support OEF/OIF rotations**
- **Future of Yumurtalik?**
  - **Leverage vs. upkeep expense**



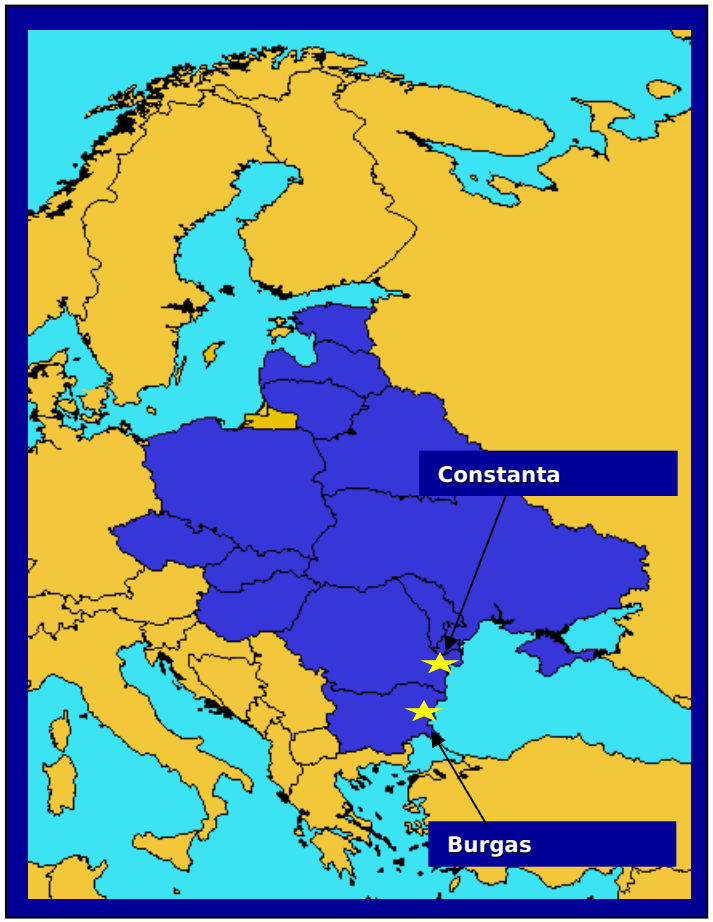
EUCOM'S FUTURE?

- EUCOM's future in a state of flux
  - Significant drawdown anticipated
    - Transition to more mobile CONUS-based force
    - Expeditionary basing in Eastern Europe / Africa
- Drawdown of Central Europe
  - Proactive measures -- revised USAREUR OPORD 4352-9
    - Provided current POL drawdown instructions
    - Defer MR&E investment?
- Engage Eastern Europe / Africa
  - Highlight bulk POL infrastructure challenges
  - Engage key countries
    - Africa into-plane surveys



Eastern Europe Engagement

- **Continue to collect info and perform site surveys on former Eastern Bloc countries**
  - **Infrastructure, fuel suppliers & capabilities**
  - **OEF/OIF – Burgas, BU & Constanta, RO**
- **Establish points of contacts**
  - **Ministries of Defense, Defense Attachés, fuel suppliers & fixed base operators**
- **Coordinate and plan for future US military exercises, operations & bases**
- **NATO Partnership for Peace Fuels Workshop**
  - **Sofia, Bulgaria Nov 03**
  - **Workshop theme "Interoperability"**
- **Hosting NATO-Russian Working Group**
  - **Wiesbaden Jun 04**



Augusta Bay / San Cusumano

- DFSP Augusta Bay / San Cusumano Italian Fuel Depot
  - Sole source of JP-5 for NAS Sigonella
  - JP-5 & F-76 fleet support at San Cusumano NATO pier
- Depot scheduled for NATO-funded refurbishment late ’04
  - (3 – 5 year project)
- Phased refurbishment offset impact tremendously
  - 1 JP-5 & 1 F-76 tank will remain in commission throughout project
  - Direct ESSO refinery support will offset impact on JP-5 support
    - Supply NAS Sigonella, San Cusumano depot, San Cusumano NATO pier and potentially Punta Cugno
  - Replacement storage at Italian-NATO Punta Cugno Depot
    - Negotiating storage agreement with Italians
      - Currently have use of 190 Mbbls F-76 (Group I) on a “case-by-case” basis
      - Another 375 Mbbls (Group II) for exclusive US use coming on-line ~Oct 04
        - Still working JP-5/F-76 mix in concert with DESC-B
        - Refurbishment project will not start until Punta Cugno Group II comes on-line

Augusta Bay

To NASSIG
E45
Villasmundo
Masseria Ogliastro
Masseria Conigliara
Vignali
Monte Pergola
Scardina
PUNTA CUGNO
Augusta
Bufalaro
ESSO Refinery
S114
E45
A18
Stazione Meganara-Giannalena
San Cusumano
ERG Refinery
Rilevo
Melilli
Bondife
Masseria Spinelli
Priolo Gargallo
Catania-Siracusa
Catania-Valletta
Mediterranean Sea
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NSA Souda Bay / Marathi Depot

- NATO CP3A0013 to provide fueling capability to Pier K14 and restore one old fuel oil tank to JP-5
  - Currently have fueling capability at Piers K10 and K12
  - O&M costs shared: USA 74.73%; Greece 19.84%; UK 5.43%
- Tank conversion project: two JP-5 tanks to be converted to F-76
  - Current Capacity: 182 MBBLS JP-5, 638 MBBLS F-76
  - After Tank Conversion: 371 MBBLS JP-5, 449 MBBLS F-76
  - Host Nation submitting to NATO as Minor Works Project
- JP-5 Tank #3 leaking
  - Host Nation submitting to NATO as Minor Works Project
- FY06 DLA MILCON P-120 replaces Souda Bay 4” pipeline with 6”
  - Increases flow rate from 110 to 300 gpm
- FY07 DLA MILCON P-411 adds 2 500,000 USG tanks at Souda Bay
  - Current capacity = 336,000 USG
  - NIP to be submitted in case this meets a future NATO CP

NSA Souda Bay / Marathi Depot

Military Sealift Command Force Protection Requirements

- **Early 03**
  - **Warship FP requirements were applied to ocean tankers**
    - **Impact: High cost on demurrage charges and damage to relationship with suppliers and host nations**
- **Aug 03**
  - **MSC-EU/SIXFLEET/NAVEUR established agreed-upon guidance for ocean tankers with inputs from DESC-EU**
    - **Published MSG DTG 201450Z AUG03**
- **Current Situation**
  - **SIXFLEET/NAVEUR guidance allows to contract for in-port security**
    - **A tool that had not been previously fully utilized**
  - **Enhanced communication between all players**
  - **Noticeable improvement; clearer understanding of roles**
  - **Stronger ties with the US Defense Attaché Offices/Offices of Defense Cooperation**

Spanish Navy Tankage Issue

- Periodically, Spanish Navy (SPN) requests US Navy (USN) turn over significant portion of tankage at NS Rota
- Loss of any significant amount of tankage would hamper operations at Rota
  - Dec 03 – SPN changed position on turnover of tanks and now want storage capability only for DFM (F-76)
- NAVEUR working with DESC-Europe and SPN to reach an equitable agreement
- NAVEUR/DESC/SPN meeting in Feb 04 clarified issues
  - Currently staffing proposal to SPN through NAVEUR
    - Increase operational reserve from 37 MBBL to 50 MBBL
    - Continue to purchase fuel from DESC at standard price

Questions?

Right Item; Right Time; Right Place; Right Price; Every Time…
Best Value Solutions For America's Warfighters.